

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-11 L-03 FRB-03 OMB-01 ITC-01 SP-02 ICA-11
AGRE-00 AID-05 CIAE-00 COME-00 INR-10 LAB-04
NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15
NSC-05 /146 W

-----017624 041348Z /72

R 041232Z MAY 78

FM USMISSION GENEVA

TO SECSTATE WASHDC 9193

C O N F I D E N T I A L SECTION 01 OF 03 GENEVA 06766

E.O. 11652: GDS

TAGS: UNCTAD, EAID

SUBJECT: UNCTAD: COMMON FUND AND IPC: IS THE US BECOMING
ISOLATED?

REF: (A) LONDON 5975; (B) OTTAWA 2087; (C) CANBERRA 2800

1. IN SEVERAL RECENT COMMODITY MEETINGS, IN THE OECD AD
HOC WORKING GROUP ON THE COMMON FUND AND IN OTHER FORA,
SEVERAL GROUP B COUNTRIES WHICH HAVE TRADITIONALLY SHARED
THE VIEWS OF THE US TOWARD SPECIFIC ASPECTS OF THE
INTEGRATED PROGRAM APPEAR TO HAVE SHIFTED THEIR POSITION
SUFFICIENTLY TO RAISE THE QUESTION OF WHETHER THE US IS
RAPIDLY BECOMING ISOLATED. THESE SPECIFIC FEATURES INCLUDE
MANDATORY GOVERNMENT CONTRIBUTIONS TO THE FIRST WINDOW OF
THE CF, A SECOND WINDOW BASED ON VOLUNTARY CONTRIBUTIONS,
FINANCING FOR SPECIFIC COMMODITIES FOR SELECTED COUNTRIES
(PERHAPS THROUGH THE SECOND WINDOW) AND AN EXPANDED ROLE
FOR THE AD HOC INTERGOVERNMENTAL COMMITTEE. WHILE THE
MISSION WOULD NOT WANT TO EXAGGERATE EITHER THE DEGREE OF
US ISOLATION OR THE IMPORTANCE OF THE IPC TO US BILATERAL
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AND MULTILATERAL RELATIONS, WE DO FEEL IT IS IMPORTANT TO
TAKE STOCK OF THE US POSITION AS WE MOVE TOWARD A RESUMED
SESSION OF THE CF NEGOTIATIONS AND THE TDB SESSION IN
AUGUST.

2. UNITED KINGDOM: THE MOST DRAMATIC SHIFT IN POLICY
APPEARS TO BE IN THE UK. THE DEPARTMENT IS, OF COURSE,

AWARE OF THE STATEMENT BY THE UK DEL TO THE APRIL 5-6
OECD AD HOC WORKING GROUP IN PARIS AND THE COMMUNIQUE
OF THE COMMONWEALTH MINISTERIAL (REF A) THE UK IS NOW ON
RECORD AS SUPPORTING A SECOND WINDOW WITH ITS OWN FUNDS
ALBEIT WITH TIGHTLY CIRCUMSCRIBED ACTIVITIES. COMMENT:
THIS LATTER QUALIFICATION IS VIEWED WITH GREAT CONCERN
IN THE UNCTAD SECRETARIAT AND THE G-77. REPORTEDLY
STATE SECRETARY FOR TRADE DELL EMPHASIZED THAT THE UK
EXPECTS A DETAILED DISCUSSION ON THE PROPER SCOPE OF
ACTIVITIES FOR THE SECOND WINDOW BEFORE IT IS FINALLY
ENDORSED BY THE UK. THE UNCTAD SECRETARIAT WOULD PREFER
AGREEMENT IN PRINCIPLE AS IT FEARS A DISCUSSION ON SCOPE
WILL REVEAL WIDE DIFFERENCES OF VIEW BETWEEN GROUP B AND
SOME OF THE G-77. IN THIS RESPECT AT LEAST THE UK MAY
STILL BE CLOSER TO THE US VIEW. WE NOTE, HOWEVER, THAT
THE UK HAS BEEN ACTIVELY SUPPORTING AN EC PROPOSAL FOR
FINANCING OF RAW JUTE STOCKS IN BANGLADESH WHICH RUNS
CONTRARY TO THE STATEMENT MADE BY THE UKDEL IN PARIS
REGARDING THE EXCLUSION OF SUCH MEASURES FROM THE SECOND
WINDOW. END COMMENT. UK AMBASSADOR BOTTOMLEY RECENTLY
STATED QUITE CANDIDLY THAT HE COULD HAVE TAKEN MUCH THE
SAME POSITION AT THE SECOND NEGOTIATING SESSION ON THE CF
BUT WAS ASKED TO STICK WITH THE US AS MUCH AS POSSIBLE.
UK REPS HAD GIVEN SUCH HINTS TO VARIOUS US REPS ON
SEVERAL OCCASIONS. IMMEDIATELY AFTER THE SUSPENSION OF
THE CONFERENCE, HOWEVER, HE RECOMMENDED THAT THE UK
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REVEAL ITS TRUE POSITION ASAP BOTH TO GAIN POLITICAL
MILEAGE WITH THE G-77 AND TO FORCE THE US TO GAIN
POLITICAL MILEAGE WITH THE G-77 AND TO FORCE THE US TO BE
MORE FORTHCOMING. THIS PROPOSAL HAS APPARENTLY NOW BEEN
ADOPTED.

3. THIS POSTURE CARRIES OVER THE UK POSITION ON
INDIVIDUAL COMMODITIES. AS REPORTED IN SEVERAL RECENT
CABLES FROM COMMODITY MEETINGS, THE UK DESIRE TO MOVE TO
NEGOTIATIONS, OR AT LEAST TO APPEAR POSITIVE
TOWARD STABILIZATION MEASURES, HAS CAUSED US SOME
DIFFICULTIES. IN TUNGSTEN, THE UK REFUSED TO STAND
PAT ON VOTING NO AGAINST A NEGOTIATION AND, IN ACTIVELY
SEEKING A PROCEDURAL WAY OUT, CAUSED US TO LOSE THE
ACTIVE SUPPORT OF JAPAN AND THE FRG. IN JUTE AND TEA
THE UK DESPERATELY WANTS NEGOTIATING CONFERENCES ASAP
TO GUARANTEE RESULTS BY UNCTAD V. THIS IS MANIFESTED,
FOR EXAMPLE, IN THE UK CHAIRMAN OF THE JUTE MEETING
CONSTANTLY EXERTING PRESSURE ON THE US TO ACCEPT LANGUAGE
GOING BEYOND THE US POSITION. IN GENERAL WE NOW FIND THE
UK SIDING MORE FREQUENTLY WITH THE FRENCH, DUTCH AND
BELGIANS IN THE EC WITH THE RESULT THAT THE EC IS

USUALLY PREPARED TO BE FAR MORE COMPROMISING ON LANGUAGE
AND DECISIONS EMANATING FROM COMMODITY MEETINGS OR THE
AHIC.

4. FRG: THE DRIFT IN THE UK POSITION WITHIN THE EC HAS
PUT TREMENDOUS PRESSURE ON THE FRG. FROM WHAT WE CAN
LEARN FROM FRG REPS, THE DOMINANT FACTOR IN FRG POLICY
IS THE AVOIDANCE OF ISOLATION WITHIN THE EC EVEN IF THIS
MEANS NOT SUPPORTING THE US. IN RECENT MEETINGS ON
TUNGSTEN, COPPER AND JUTE, THE FRG HAS OFTEN FOUGHT HARD
WITHIN THE EC COORDINATING MEETINGS TO HOLD THE EC CLOSER

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NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15
NSC-05 /146 W

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C O N F I D E N T I A L SECTION 02 OF 03 GENEVA 06766

TO THE US POSITION. ITS SUCCESS HAS BEEN MODEST AT BEST.
FRG REPS ARE FREQUENTLY URGING THE US TO HOLD THE LINE ON
KEY POINTS BUT THEIR OWN HANDS ARE TIED IN INTERVENING
THEMSELVES. IN ADDITION WE WERE ADVISED AS MUCH AS FOUR
MONTHS AGO THAT THE FOREIGN MINISTRY WAS BECOMING MORE
ACTIVE IN IPC POLICY AND WE COULD EXPECT SOME SHIFT IN
POSITIONS TAKEN BY THE ECONOMICS MINISTRY OFFICIALS WHO
UP TO THEN HAD BEEN HANDLING THE IPC ALMOST EXCLUSIVELY.
THE FONOFF IS BASING ITS CLAIM ON THE ARGUMENT THAT
THE COMMON FUND IS BASICALLY A POLITICAL, FOREIGN
RELATIONS ISSUE RATHER THAN AN ECONOMIC MATTER. (WHEN
THE FRG TAKES OVER BOTH GROUP B AND THE EC COORDINATION
IN JULY, THE FRG SPOKESMAN WILL PROBABLY BE A FOREIGN
MINISTRY OFFICER). THE FRG POSITION HAS OFTEN BEEN
MOTIVATED BY AN EFFORT TO BUY OFF AS CHEAPLY AS POSSIBLE
EVEN IF THIS GOES AGAINST PRINCIPLES BEING DEFENDED IN

OTHER MEETINGS.

5. THIS ATTITUDE HAS, FOR EXAMPLE, ENABLED THE FRG TO GO ALONG WITH EC COMPROMISES IN JUTE AND COTTON. IN JUTE IT IS PREPARED TO SUPPORT THE MODEST BEEFING UP OF THE FAO
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INDICATIVE PRICE SCHEME TO THE EXTENT OF HELPING TO FINANCE BANGLADESH'S STOCKS. IN COTTON, IT WAS THE FRG WHICH SUGGESTED AND THEN CONVINCED THE EC TO PROPOSE THE STUDY OF MEASURES DESIGNED TO ASSIST ONLY THE DEVELOPING EXPORTERS MOST SERIOUSLY AFFECTED BY PRICE FLUCTUATIONS-- PERHAPS INCLUDING TEMPORARY FINANCING OF STOCKS FOR SUCH COUNTRIES AS CHAD AND THE SUDAN TO ENABLE THEM TO HOLD COTTON OFF THE MARKET AWAITING HIGHER PRICES. IN THE OECD DISCUSSIONS ON THE SECOND WINDOW THE FRG WAS NOTABLY QUIET THROUGHOUT THE DISCUSSION AND THEIR GENEVA REPS TELL US FRG SUPPORT FOR A VOLUNTARY SECOND WINDOW IS INEVITABLE, AND THAT AN FRG CONTRIBUTION IS NOT OUT OF THE QUESTION. SO LONG AS THE LEVEL OF CONTRIBUTIONS IS MODEST, THE FRG MIGHT NOT BE AS CONCERNED AS THE UK OVER TIGHT RESTRICTIONS ON THE TYPES OF ACTIVITIES SUCH FUNDS COULD SUPPORT. OVERALL THEN, WHILE THE FRG IS STILL CLOSER THAN ANYONE TO THE US, PRESSURES FROM OTHER QUARTERS AND THE ABIDING FEAR THAT THE US WILL SHIFT ITS STANCE AND LEAVE IT STRANDED, HAVE PROMPTED THE FRG TO MOVE MORE INTO LINE WITH THE REST OF THE EC.

6. JAPAN: THE JAPANESE HAVEN'T SAID A WORD FOR OVER SIX MONTHS. TWO CONSIDERATIONS APPEAR TO DOMINATE JAPANESE THINKING. ONE IS TO DEVELOP A FAVORABLE IMAGE VIS-A-VIS RAW MATERIALS SUPPLIERS IN SE ASIA, WITNESS ITS EARLY DECISION IN FAVOR OF A STABILIZATION AGREEMENT ON RUBBER. THE SECOND IS THE UNWILLINGNESS TO BE ISOLATED WITH THE US (AND THE FRG). YET JAPAN DOES NOT LIKE TO HAVE AN OPEN BREAK WITH THE US. THUS, MOST OF JAPAN'S WORK IS DONE BILATERALLY BEHIND THE SCENES WHILE IT REMAINS VIRTUALLY SILENT IN THE MEETINGS ASSUMING IT CAN LIVE WITH ANYTHING THE US AGREES TO AND YET NOT RISK LDC DISFAVOR BY DIRECTLY OPPOSING THE G-77 DEMANDS. ONE OF OUR CONTACTS
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IN THE JAPANESE MISSION RECENTLY REVEALED THAT OFFICIALS IN TOKYO ARE AS SKEPTICAL AS EVER ABOUT THE WHOLE IPC. IT MAY BE THAT THE CONFUSION IN TOKYO IN TRYING TO DEVELOP AN OVERALL POLICY IS AS MUCH A REASON

AS ANY FOR THE INACTIVITY IN GENEVA.

7. OTHERS: POSITIONS OF OTHER MEMBERS OF GROUP B HAVE REMAINED RELATIVELY MORE STABLE WITH FRANCE PERHAPS HAVING BECOME EVEN MORE FAVORABLY DISPOSED TO MOVING TO NEGOTIATION OF COMMODITY AGREEMENTS EVEN THOUGH IT CAN RARELY ARTICULATE SPECIFICALLY WHAT WOULD BE NEGOTIATED. MANY MEMBERS OF GROUP B PERCEIVE THE US POSITION IN

TERMS OF OUR LESSER DEPENDENCE ON IMPORTS FOR MOST OF THE COMMODITIES INCLUDED IN THE IPC. AUSTRALIA AND CANADA MAY AT THIS STAGE BE OUR MOST RELIABLE COUNTERPARTS ON SPECIFIC COMMODITIES EXCEPT FOR TUNGSTEN. AS MAJOR PRODUCERS OF A NUMBER OF COMMODITIES BOTH DEMAND A SOUND ECONOMIC BASIS FOR A NEGOTIATION BEFORE THEY ARE PREPARED TO COMMIT THEMSELVES. ON THE CF, HOWEVER, THEY TOO, TOGETHER WITH NEW ZEALAND, SUBSCRIBED TO THE RECENT COMMONWEALTH COMMUNIQUE. IN PARTICULAR, THEY ARE PREPARED TO COMMIT TO A SECOND WINDOW. CANADA HAS INDICATED IT HAS LESS DIFFICULTY WITH THE ROLE OF THE SECOND WINDOW THAN WITH THE FIRST IN THE PRACTICAL ROLE IT COULD SEE FOR EACH AND THE NEED FOR DIRECT CONTRIBUTIONS. (THIS IS CONFIRMED BY REF B). AND, IT IS ON THE CF THAT AUSTRALIA SEES ITS BEST OPPORTUNITY TO WIN FAVOR WITH THE G-77 WITH WHICH IT SHARES COMMON INTERESTS IN SOME COMMODITIES BUT WITH WHOM IT FINDS ITSELF, AS A NEW, GROWING FACTOR IN A NUMBER OF OTHERS, IN COMPETITION. THE OTHER COUNTRIES IN GROUP B ARE INCREASINGLY LINING UP BEHIND THE NORDICS AND THE

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NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15
NSC-05 /146 W

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NETHERLANDS IN WANTING TO SHOW RESULTS FOR THE IPC BY UNCTAD V. IN INDIVIDUAL COMMODITY MEETINGS THEY ARE PREPARED TO ACCEPT ANY LANGUAGE THAT SATISFIES THE G-77 AS BEING A SIGN OF PROGRESS. IN THE AD HOC COMMITTEE THEY ARE PREPARED TO INTERPRET ITS ROLE AS ONE OF MONITOR OF PROGRESS IN INDIVIDUAL COMMODITY MEETINGS AND SEE IT AS ANOTHER PRESSURE POINT TO MOVE THE US. MANY INSIST THAT RESOLUTION 93(IV) IS A FLUID DOCUMENT AND CAN BE REINTERPRETED TO MEET THE NEEDS OF THE LDCS. THEIR VIEWS ON THE CF REQUIRE LITTLE FURTHER DISCUSSION. THE US CAN THUS EXPECT LITTLE SUPPORT ELSEWHERE IN GROUP B WITH THE POSSIBLE EXCEPTION OF CANADA ON SOME POINTS.

8. THE SHIFT OF POSITIONS BY KEY COUNTRIES WITHIN GROUP B RAISES A NUMBER OF QUESTIONS CONCERNING THE FUTURE POSITION OF THE US IN VARIOUS MEETINGS UNDER THE IPC. PERHAPS THE MOST IMPORTANT OF THESE IS WHETHER THE US IS PREPARED TO ACCEPT ISOLATION, AND HENCE THE RISK OF ALIENATING MANY WITHIN THE G-77, IN DEFENSE OF THE PRINCIPLES WE HAVE ARGUED FOR SO LONG (E.G., THE AHIC LIMITED TO THE ROLE OF COORDINATOR OF COMMODITY MEETINGS, CONFIDENTIAL

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NO FINANCING OF NATIONAL STOCKS, MEASURES APPLIED ACROSS THE BOARD RATHER THAN DIRECTED AT SELECTED COUNTRIES, SECOND WINDOW, IF THERE IS TO BE ONE, LIMITED TO COORDINATION, R&D AND MARKET PROMOTION, NO FINANCIAL CONTRIBUTION DIRECTLY TO SECOND WINDOW, AND SO FORTH). IT RUNS ENTIRELY AGAINST OUR GRAIN TO ACCEPT IN PRINCIPLE VARIOUS ELEMENTS OF THE CF OR MEASURES ON COMMODITIES UNLESS A CLEAR ECONOMIC CASE HAS BEEN MADE. FURTHERMORE, THE US IS MOST OFTEN OUT IN FRONT IN MEETINGS BECAUSE IT IS FAR BETTER PREPARED ON SUBSTANCE THAN OTHER DELEGATIONS. YET, UNLESS WE ARE PREPARED TO TAKE DECISIONS SOON ON SUCH AN ISSUE AS THE SECOND WINDOW AND TO IDENTIFY COMMODITIES ON WHICH CERTAIN MEASURES MAY BE ACCEPTABLE EVEN BEFORE THE ECONOMIC CASE IS MADE, WE MUST BE PREPARED TO ACCEPT GREATER ISOLATION.

9. ANOTHER IMPORTANT FACTOR IS THE EFFORT OF THE UNCTAD SECRETARIAT TO DEVELOP A MODIFIED SCHEME WHICH WILL NOT BE SUBJECT TO SOME OF OUR MAJOR OBJECTIONS (GENEVA 06052). IF A SCHEME OF THIS TYPE BE SOLD TO THE G-77 BY THE SECRETARIAT IT IS LIKELY THAT MANY OF OUR GROUP B PARTNERS WILL BE TEMPTED TO GO ALONG.

10. THE PURPOSE OF THIS MESSAGE IS NOT TO CONSTRUCT AN ARGUMENT THAT THE US SHOULD PUT POLITICAL EXPEDIENCY ABOVE

ECONOMIC RATIONALITY. RATHER IT IS TO CALL ATTENTION TO
THE CIRCUMSTANCES TO INSURE THAT THEY ARE FACTORED IN AS
AN IMPORTANT INPUT INTO THE DEVELOPMENT OF THE US
POSITION. THE TRADE-OFF BETWEEN HOLDING FIRM AS LONG AS
POSSIBLE TO ENSURE MINIMUM EROSION OF OUR FINAL GOALS AND
THE LOSS OF GOODWILL AMONG OUR GROUP B PARTNERS AND THE
G-77 MUST BE CAREFULLY WEIGHED. AT A MINIMUM THE TIME
APPEARS TO HAVE COME. TO BEGIN REVEALLING OUR BOTTOM-
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LINE, IF THERE IS ONE, RATHER THAN HOLD OUT SO LONG THAT
WE GET NO CREDIT WHEN WE REVEAL IT AND THE LOSS OF
POLITICAL ADVANTAGE OCCASIONED BY RELUCTANT AGREEMENT
RATHER THAN LEADERSHIP FOR INDEED, ACCEPTABLE GOALS.
VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMODITIES, APPROPRIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA06766
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780190-0858
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780594/aaaadchy.tel
Line Count: 351
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6aee98a4-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 LONDON 5975, 78 OTTAWA 2087, 78 CANBERRA 2800
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2796192
Secure: OPEN
Status: NATIVE
Subject: UNCTAD: COMMON FUND AND IPC: IS THE US BECOMING ISOLATED?
TAGS: EAID, UNCTAD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/6aee98a4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014